

# Questions and Answers from the State and Local Telecommunications Services Video Teleconference on Oct 14<sup>th</sup> 2010

Q: Have rates been finalized?

A: Rates are approved by the OBPP but not yet through Legislature.

Q: Is there anything available to help the counties pay for the increase from \$177 to \$497 next year?

A: This is only one example as each county's rate will vary by bandwidth and participating agencies sharing the circuit. County funding will be discussed this session because there is a bill drafted related to the entitlement program. That bill may provide the forum to talk about IT funding for counties and mitigate the reduction of the entitlement program. There currently is no direct appropriation for local governments for IT services.

Q: Local governments will share the cost with the state agencies located in common location. Are the rates increasing for state agencies?

A: Yes, with the upgrades to the network state agency network costs have increased every year. In addition to the increasing costs of the upgraded network, this is the first year where the WAN rates are based upon an average cost per circuit type and are not being subsidized by another source.

Q: Counties were paying \$110 last year. Were state agencies paying \$110 last year?

A: The \$110 rate was set over 16 years ago and was only used for local government who chose to take advantage of a state-funded circuit that coexisted with their facilities. In FY12-FY13, all entities, state or local are treated equally to be compliant with OMB Circular A-87. In order to be compliant with A-87, ITSD needs to be certain that all funding sources are being charged equitably with no subsidization occurring for any customers regardless of funding source. This includes federal, state special or general funded agencies as well as universities and local governments. Failing to follow A-87 guidelines would allow the Federal Government to demand repayment back to federal programs which have paid for ITSD services. This would cause an even bigger burden to other funding sources. State agencies also pay LAN connections for each of their workstations in addition to paying for WAN connections.

Q: If the state requires the county to provide information, should the state agencies subsidize county costs to connect to SummitNet so that it can respond to state information requirements?

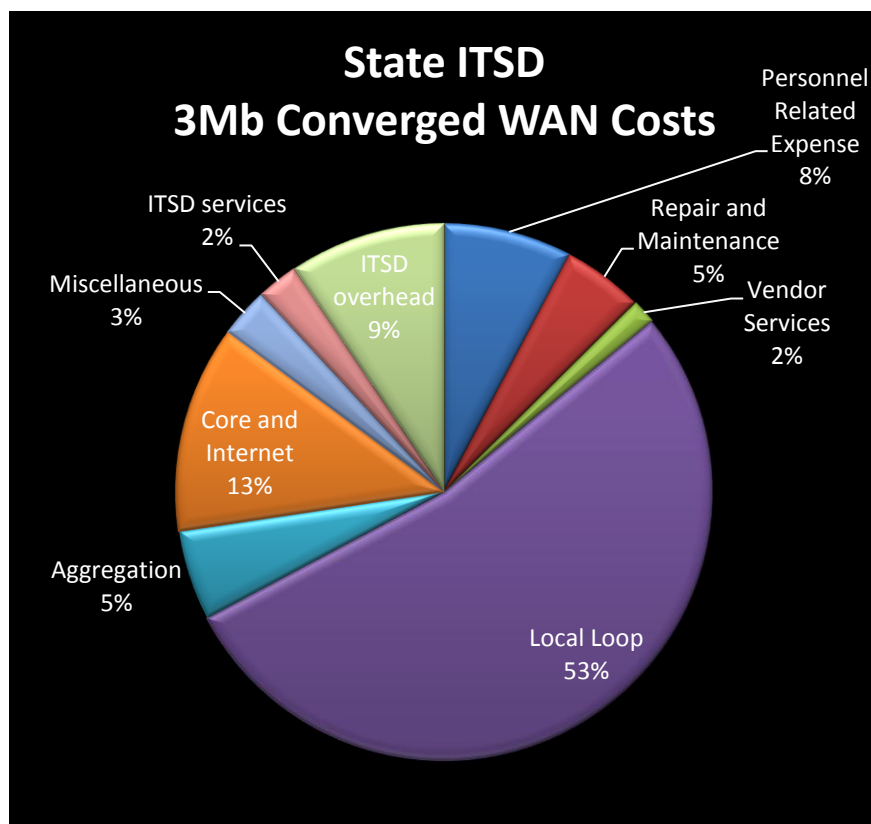
A: It would be up to the individual state agencies to determine how they fund and support counties as they require counties to participate in a state-managed application. ITSD is the service provider for a WAN service and the cost for the WAN service is charged to users of the WAN service.

## Questions and Answers from the State and Local Telecommunications Services Video Teleconference on Oct 14<sup>th</sup> 2010

Q: We don't use all the services that are provided, can the costs be broken down to show what is included in the rates so we know what is included?

A: The following chart shows a summary of the average costs associated with provided a 3Mb Converged circuits to a site in Montana for FY12. Core and internet includes web filtering, firewalls, intrusion detection, internet portal and other related items. Local Loop is the cost for the circuits to the government offices. The aggregation cost is for locations where multiple circuits are aggregated for routing via SummitNet. Miscellaneous includes supplies, software, debt service, depreciation and other minor expenses. ITSD Services is for services such as servers, rack space, operational systems.

Personnel Related Expense	\$	103,091
Repair and Maintenance	\$	64,263
Vendor Services	\$	19,785
Local Loop	\$	709,266
Aggregation	\$	72,046
Core and Internet	\$	166,651
Miscellaneous	\$	39,892
ITSD services	\$	32,906
ITSD overhead	\$	125,152
<b>TOTAL</b>	<b>\$</b>	<b>1,333,052</b>



## Questions and Answers from the State and Local Telecommunications Services Video Teleconference on Oct 14<sup>th</sup> 2010

Q: What is the cost model going to be for FY14-FY15?

A: Each biennium ITSD will recalculate rates and publish them in advance of the Legislature so that the state agencies and local governments can plan for the services that they need.

Q: Why is the cost increasing so much?

A: Some of the cost increase is a result of the network expansion that increased bandwidth in county courthouses and other state locations. Some of the cost increase is a result of the lack of increases over the past 16 years that did not keep up with increasing network costs. Some is a result of the Financial Transparency Model delineating the true costs of network connections.

Q: Was the other associated cost to the counties (such as county staff time) considered such as when the state implements applications that impact on county budgets?

A: ITSD is a service provider (or utility) that is used by the state agencies to implement applications. We don't have control over how the state agencies implement applications that affect the counties. ITSD needs to consistently bill its customers for its services so that is neutral and eliminate subsidies.

Q: When counties look at the rate from ITSD how does it compare to other rates and services available from the private sector?

A: Perhaps the question should be restated to ask if this approach of charging local government is the best approach for providing network connectivity for government.

Q: The counties provide services to the state, how is that accounted for?

A: There is currently no methodology for reciprocal agreements between local governments and state governments for sharing costs related to provision of IT services.

Q: Is there a link to what is being discussed to possibly help the local governments for the rate increase for summitnet?

A: Here is the link to the draft bill:

[http://laws.leg.mt.gov/laws11/LAW0210w\\$BSIV.ActionQuery?P\\_BILL\\_DFT\\_NO5=LC0236&Z\\_ACTION=Find](http://laws.leg.mt.gov/laws11/LAW0210w$BSIV.ActionQuery?P_BILL_DFT_NO5=LC0236&Z_ACTION=Find)

Q: What happens to the pricing structure should you lose a significant number of customers?

A: Rates will be recalculated each biennium using the Financial Transparency Model.

Q: How much of your cost for services is line charges?

A: Approximately 70%.

Q: Has ITSD actively implemented the ability to access services via a web based application?

A: Many state agencies develop web-based applications so that citizens can interact directly with state agencies.